

VA Financial Policies and Procedures
Investments

CHAPTER 5

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0501 OVERVIEW

This chapter prescribes the Department of Veterans Affairs (VA) requirements for accounting and reporting investment transactions. Investments represent the value of securities with the United States Department of the Treasury (Treasury).

VA invests in the following three types of Treasury securities:

1. Non-marketable Treasury securities, which are special debt securities issued by the U.S. Treasury to Federal entities at par (face) value.
2. Market-based Treasury securities, which are debt securities issued by the U.S. Treasury to Federal entities without a statutorily-determined interest rate.
3. Marketable Treasury securities, which include Treasury bills, notes and bonds.

Both market-based and marketable Treasury securities are expected to be held to maturity. VA's investment cycle begins July 1 and ends June 30 each year. Interest earned on the investment portfolio is collected semi-annually on June 30 and December 31 of each year and is automatically reinvested by the Treasury Bureau of the Fiscal Service (FS) as of the same dates.

VA has all of its insurance program¹ investments in non-marketable Treasury Special Bonds and Special Issue Treasury Certificates, while other VA program investments are in market-based and marketable securities issued by the Treasury with the exception of VA's non-Federal Trust investments in mutual funds and Loan Guaranty Program investments in trust certificates issued by the American Housing Trusts.

The Insurance Program's long-term Treasury Special Bonds mature anywhere from one to fifteen years from the date of the investment. On the other hand, its Special Issue Treasury Certificates are invested in the current investment cycle for one year or less and will mature on June 30. Any portion of the latter investments that have not been redeemed will mature on June 30, at which time it will be rolled over into new investments.

In order to match anticipated program costs with revenue, the Insurance Center (IC) has the responsibility for determining the allocation of investment amounts for the long-term special bonds maturing on June 30 and the interest collected on the investment portfolio as of June 30.

¹For additional information on VA's Insurance Fund and Insurance Appropriation Accounting, refer to [VBA Directive 4580, May 12, 2008](#).

0502 POLICIES

050201 VA will invest funds once they are deposited, collected and considered available at the Treasury, as prescribed in the [Treasury Financial Manual \(TFM\), Volume 1, Part 2, Chapter 4300](#) (I TFM 2-4300), Section 4325 – Availability of Funds².

050202 VA will ensure investments are accounted for properly and that underlying fiscal operations are performed in a timely and consistent manner in consonance with effective business fiscal practices.

050203 VA will complete investment reports and reconciliations in accordance with guidelines issued by the Office of Management and Budget (OMB) and the Treasury, and it will provide timely, reliable and meaningful data to program officials.

050204 VA will implement its investment accounting and fiscal activities to ensure that funds are disbursed in accordance with OMB, Treasury and other Federal internal control, accounting and fiscal guidelines.

0503 AUTHORITY AND REFERENCES

050301 [Statement of Federal Financial Accounting Standards \(SFFAS\) No.1, Accounting for Selected Assets and Liabilities](#)

050302 [Office of Management and Budget \(OMB\) Circular A-11, Preparation, Submission and Execution of the Budget, Part 1, Section 20.12.](#)

050303 [OMB Circular A-136, Financial Reporting Requirements - Revised](#)

050304 [TFM, Volume 1, Part 2, Chapter 4300, Reporting Instructions for Accounts Invested in the Department of the Treasury Securities.](#)

050305 [TFM, Volume 1, Part 6, Chapter 4000, Intra-governmental Payment and Collection \(IPAC\) System](#)

050306 [Trust Fund Accounting Guide, United States Standard General Ledger](#)

0504 ROLES AND RESPONSIBILITIES

050401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and

² Generally, agencies may consider funds available on the day of the deposit when an agency uses Fedwire or the Automated Clearing House (ACH) through the Treasury Lockbox Network.

operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Specific responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

Subject to any existing statutory delegations of authority, the CFO has responsibility for identifying, reviewing and accounting for investments and for ensuring that each transaction is accompanied with sufficient supporting and auditable documentation to comply with this chapter.

050402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants, and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

050403 The Office of Finance, Office of Financial Policy (OFP) is responsible for developing, coordinating, reviewing, evaluating, and issuing VA financial policies, including those that impact financial systems and procedures for compliance with all financial laws and regulations. OFP works with the Office of Inspector General's (OIG) independent contract auditors on VA's annual Consolidated Financial Statements audit and prepares and reviews Consolidated Financial Statements, Notes, and Required Supplementary Information, etc. Within OFP, the Management and Financial Reports Service (MFRS) is responsible for preparing various comprehensive financial reports, such as those required by the President and the Executive branch, including Office of Management and Budget (OMB)/Treasury reports from the Hyperion (MinX) software.

0505 PROCEDURES

Accounting and Reporting of Investments

050501 VA will account for and report investment transactions in accordance with the guidance prescribed in the [Statement of Federal Financial Accounting Standards \(SFFAS\) No.1](#), Treasury Financial Manual (TFM) 2-4300, Office of Management and Budget (OMB) Circular A-11, Preparation, Submission and Execution of the Budget, and OMB Circular A-136, Financial Reporting Requirements.

050502 VA will account for and report its investments in securities issued by the Treasury separately from investments in securities issued by non-Federal entities.

050503 VA will separate receipt accounts to distinguish between the different types of activities (investments, redemptions and unrealized discounts) and use a point account with the 4-digit appropriation fund or receipt account Treasury Account Symbol (TAS) to

classify realized earnings as receipts. Interest receivable will be recognized as it is earned on investments in interest-bearing securities³.

050504 VA will disclose in notes to the financial statements the components of investments, including the market value of the investments, in accordance with the reporting requirements of OMB Circular A-136.

050505 VA will include investment balances in budget reports and schedules. The FS reports VA's investment transactions affecting the Fund Balance with Treasury (investment, redemption and interest received) on its Statement of Transactions (FMS 224) using the VA TAS.

050506 VA will invest funds; record, report and reconcile investment transactions; and monitor the Statement of Transactions prepared by FS.

050508 VA will use the FedInvest application, with FS' approval, to initiate transactions in Government Account Series securities to submit transaction requests or review reports.

Valuation of Investments

050509 VA's three types of investment securities (see 0501 Overview for the three types of investment securities) will be recognized at their acquisition cost.

A. If the acquisition is made in exchange for non-monetary assets, the acquired securities should be recognized at the fair market value of either the securities acquired or the assets given up, whichever is more determinable.

B. If the acquisition cost differs from the face (par) value, the security should be recorded at the acquisition cost, which equals the security's face value plus or minus the premium or discount on the investment.

050510 Subsequent to their acquisition, VA investments in Treasury securities will be carried at their acquisition cost, which equals the security's face value plus or minus the premium or discount on the investment. Valuation subsequent to acquisition will reflect amortization of premium or discount, if any. Amortization will be made over the life of the underlying securities, as follows:

A. For Treasury bonds, VA will use the interest method, and

B. For Treasury bills, VA will use the straight-line method.

³Refer to Volume V, Chapter 6A for information on Interest Receivable.

050511 Investments are reported at cost and are redeemable at any time for their original purchase price. Interest rates for Treasury special securities are based on average market yields for comparable Treasury issues. Special bonds, which mature during various years, are generally held to maturity unless needed to finance insurance claims and dividends.

050512 Allowances are recorded to reflect estimated losses of principal as a result of the subordinated position in American Housing Trust certificates I through V. The estimated allowance computations are based upon discounted cash flow analysis. VA will use income derived from its subordinated American Housing Trust certificates I through V to cover the immediate cash requirements of the Federal guarantee on loans sold under American Housing Trust certificates VI through XI and the Veterans Mortgage Trust program. The income will finance deficiencies in scheduled monthly principal and interest on the loans, as well as cover any realized losses incurred in the prior month, with any excess funds being reimbursed to VA upon request.

0506 DEFINITIONS

050601 Accrued Interest. Interest earned on a security instrument that has not yet been paid or received.

050602 Discount. The difference between the price and the par value of an investment when less than par value is paid or received for a security.

050603 Earned Interest Realized. Interest earned and paid on a security instrument.

050604 Interest Method. The method used to determine the amount of amortization of discount or premium. The amount amortized is the difference between the effective interest recognized for the period and the nominal interest for the period as stipulated in the Treasury security. The effective interest rate (the actual interest yield on amounts invested) multiplied by the carrying amount of the Treasury security at the start of the accounting period equals the interest income recognized during the period (the carrying amount changes each period by the amount of the amortized discount or premium).

050606 Marketable Treasury Securities. Marketable Treasury Securities include Treasury bills, notes and bonds.

050607 Market-based Treasury Securities. Debt securities that Treasury issues to Federal entities without statutorily determined interest rates. Although the securities are not marketable, their terms (prices and interest rates) mirror the terms of marketable Treasury securities.

050608 Non-marketable Treasury Securities. Special series debt securities that Treasury issues to Federal entities at par (face) value.

050609 Par Value. The stated or face amount of a security.

050610 Premium. The difference between the price and the par value when more than par value is paid or received for a security.

050611 Price. The real price for a security as of noon on the day of the investment or redemption.

050612 Principal. The stated or face amount of a security.

050613 Purchase of Accrued Interest. The amount of interest accrued when a security is purchased between interest payment dates.

050614 Subclass. A prefix used to classify transactions in expenditure accounts.

050615 Treasury Direct FedInvest Application. FedInvest is a Federal Investment Program application designed and developed by the FS for use by Federal agencies that have investment authority in Government Account Series Securities. FedInvest is a useful tool that allows Federal agencies' Fund Managers to manage their portfolios by allowing them to buy and sell securities, view account holdings and transactions, view various reports and download data.

050616 Unrealized Discount. The value of the discount carried until a security is redeemed or matures.

0507 RESCISSIONS

This chapter rescinds OFP Policy Volume V Chapter 5, *Investments*, August 2009.

0508 QUESTIONS

Questions concerning these financial policies and procedures should be directed as shown below:

VHA	VHA CFO Accounting Policy (10A3A) (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
All Others	OFP Accounting Policy (Outlook)

0509 REVISIONS

Section	Revision	Office	Effective Date
Overall	Reviewed Federal guidance and updated all hyperlinks throughout policy	APS (047GA)	July 2014
0501	Treasury's name was updated – Bureau of the Fiscal Service (FS)	APS (047GA)	July 2014
0501.3	Revised sentence in 2 nd paragraph to state “all” instead of “most”	APS (047GA)	July 2014
0501.3	Revised 4 th paragraph in section to include reference to Insurance Center's responsibility for determining the allocation of investment amounts	APS (047GA)	July 2014
050501	Deleted “to the” and added “at” in paragraph	APS (047GA)	July 2014
050501	Added name of section “Section 4325 – Availability of Funds” & updated wording in footnote to align with TFM	APS (047GA)	July 2014
0503	Reviewed and updated hyperlinks	APS (047GA)	July 2014
050401	Revised paragraph for consistency with other CFO approved VA policies	APS (047GA)	July 2014
050403	Added paragraph to reference the roles and responsibilities of the Office of Finance, Office of Financial Policy	APS (047GA)	July 2014
050505-050508 & 050615	Reference to Treasury's name was updated	APS (047GA)	July 2014
050507	IFCS is being discontinued, reporting will be done in GTAS and all agencies will be migrated by FY 2015	APS (047GA)	July 2014
0506 Definitions 050605	Deleted definition for Intra-Governmental Fiduciary Confirmation System (IFCS) – no longer referenced in policy	APS (047GA)	July 2014
0507	Added Vol V Ch 5 Investments, dated August 2009	APS (047GA)	July 2014

0508	Revised VHA outlook address	APS (047GA)	July 2014
0509	Added a Revisions Table	APS (047GA)	July 2014